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Prince Edward Island Liquor Control Commission

53rd Annual Report

For the Year ended March 31, 2001

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Mission Statement

A customer-driven organization that regulates the sale of alcohol, provides unsurpassed service, and maximizes tax revenue while adhering to Government policy.

Corporate Values

- **Moderation** *(promoting responsible use as a way of life)*
- **Focus on Results** *(getting the job done)*
- **Integrity and Fairness** *(nurturing business relationships with our customers and suppliers)*
- **Quality Service** *(caring for our customers, suppliers and one another)*
- **Continuous Improvement** *(moving ahead in everything we do)*
- **Importance of People** *(fostering a positive workplace that builds teamwork, mutual respect and encourages individual development)*

Together with the Strategic Plan, this driving force serves as a roadmap to the future, outlining the major objectives and long-term actions we intend to take.

Message of the Minister

The Honourable Leonce Bernard
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act* and as Minister designate, it is my privilege to submit the 53rd Annual Report of the Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Greg Deighan
Minister of Tourism
Minister Responsible for the Liquor Control Commission

Message of the Chairman

The Honourable Greg Deighan
Minister of Tourism and
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 53rd Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2000, to March 31, 2001.

Respectfully submitted,

W.J.R. (Mac) Macdonald
Chairman

Message of the CEO

Mr. W.J.R. (Mac) Macdonald
Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Macdonald:

The PEI Liquor Control Commission had another successful year in 2000-2001 with sales being over $60 million dollars for the first time ever.

A much improved economy certainly contributed to our success, however, a great deal can be attributed to the strategic direction we embarked upon in 1996 and to the employees who have turned that strategic vision into reality. Whether in our retail stores or behind the scenes, they strove to improve their product knowledge and customer service skills and to increase productivity and commitment to social responsibility.

We continue to improve our stores providing additional services and we will renovate all stores during the next few years. We are fortunate to have a great management team backed by a strong commission whose sound knowledge of business practices helps ensure we maximize our opportunities and minimize our risks. The Provincial Government has also been supportive of our goals and strategic direction and has encouraged us to seek additional ways of improving the commission.

We will continue to improve our operations and customer satisfaction, and promote moderation during the next fiscal year. We would like to thank our customers, suppliers, employees and the Board of Commissioners for their support throughout the year.

Yours truly,

Wayne A. MacDougall
Chief Executive Officer

Management's Report

Mr. W.J.R. Macdonald
Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Macdonald:

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Wayne A. MacDougall
Chief Executive Officer

Gordon D. Greene
Director of Finance

Board of Commissioners

W.J.R. "Mac" Macdonald
Chair

Dana Coulson
Vice-Chair

Doug MacEwen
Commission Member

Diane Douse
Commission Member

Gerard LeClair
Commission Member

Executive Management

Chief Executive Officer ..... Wayne MacDougall

Director of Finance ..... Gordon Greene

Director of Purchasing and Distribution ..... James Johnston

Director of Marketing ..... Fred MacDonald

Director of Licensing and Security ..... Ken Hicks

Organizational Chart

Alberton	North Rustico	Summerside
Borden-Carleton	Oak Tree	Tignish
Cardigan	O'Leary	Tyne Valley
Charlottetown Mall	Queen Street	Wellington
Cornwall	Sherbrooke	
Kensington	Souris	Morell Agency Store
Montague	Stratford	

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *PEI Liquor Control Act* and Regulations, along with the purchase, control, and sale of all beveraged alcohol in the province.

A five-member board of commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Tourism who is also Minister Responsible for the *PEI Liquor Control Act*.

The mandate under the *PEI Liquor Control Act* has two primary components – regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for licensing and inspecting all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *PEI Liquor Control Act*.

On the commercial side, the commission is a major force in the provincial economy with sales in excess of $60 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year was the greatest transfer ever with more than $24.5 million forwarded to the province.

The commission presently operates 18 retail outlets of which 16 are self-serve in design and two are conventional or counter-type. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown and the commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

During any given month, PEILCC stores have donation canisters at the cash registers in order to raise funds for special causes or people in need in the community. Fundraising, through cash cans and other campaigns in our stores, contributes significantly to the community we serve.

This method of fundraising is increasing in popularity and some of the initiatives supported by the PEILCC are:

- IWK
- Canadian Diabetes Association
- Epilepsy Canada
- Unicef
- MADD
- SADD
- Autism Society of PEI
- PEI Humane Society
- Island Hospice Association
- National Camps for the Blind
- Save the Children Fund
- Child Find
- Parkinson's
- CNIB
- Children's Wish Foundation
- Lupus PEI
- Huntington Society
- Unitarian Service Committee
- Crohn's and Colitis

The commission also supports local sport and charity organizations by allowing these groups to sell fundraising tickets at a number of our retail outlets and have supported the Royal Canadian Legion and the PEI Police Association through the sale of poppies and a CD for the respective organizations.

Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.-P.-É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (Loi sur les alcools) et de ses règlements ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil formé de cinq commissaires est responsable des activités de la Régie. Le président se rapporte au ministre du Tourisme qui est également ministre responsable de la *Loi sur les alcools*.

En vertu de la *Loi sur les alcools*, le mandat de la Régie deux volets : l'un est réglementaire, l'autre commercial.

La fonction réglementaire est assumée par le Service de délivrance des permis qui est responsable de l'octroi des permis et de l'inspection de tous les débits de boisson ainsi que des activités entourant les permis spéciaux.

Le Service de délivrance des permis se charge également d'enquêter et de faire rapport à propos des plaintes, et il décide s'il y a eu infraction ou non à la *Loi sur les alcools*.

Du côté commercial, la Régie est une force économique importante de la province; ses ventes qui dépassent les 60 millions de dollars en font l'un des plus grands commerces de détail de l'Île-du-Prince-Édouard.

La présente année, exprimée en transferts monétaires, représente le plus fort apport au Trésor de la province, soit 24,5 millions de dollars.

À l'heure actuelle, la Régie exploite dix-huit (18) points de vente de services au détail dont seize (16) sont conçus pour le libre-service et deux (2) sont de type conventionnel ou comptoir. De plus, la Régie exploite un entrepôt central et un centre de distribution pour les titulaires de licences, à Charlottetown, et elle a conclu un contrat avec des intérêts privés afin d'exploiter un magasin de franchise à Morell, Î.-P.-É.

En tout temps, les magasins de la R.A.Î.-P.-É. ont des boîtes de dons aux caisses enregistreuses, lesquelles servent à recueillir des fonds pour des causes particulières ou pour des membres de la communauté qui sont dans le besoin. Le financement au moyen de boîtes servant aux dons en espèces et à d'autres campagnes faites dans nos magasins contribue beaucoup aux communautés que nous desservons. Cette méthode de collecte de fonds devient de plus en plus populaire et voici la liste de certaines initiatives appuyées par la C.A.Î.-P.-É. :

- I.W.K.
- Association canadienne du diabète
- Épilepsie Canada
- Unicef
- MADD
- SADD
- Autism Society of PEI
- Prince Edward Island Humane Society
- Island Hospice Association
- National Camps for the Blind
- Save the Children Fund
- Child Fund
- Parkinson
- INCA
- La Fondation canadienne Rêves d'Enfants
- Lupus PEI
- Société Huntingdon du Canada
- Comité du service unitaire du Canada
- Fondation canadienne des maladies inflammatoires de l'intestin

La Régie appuie également les organismes locaux de sport et de charité, ce qui permet à de tels groupes de vendre des billets de demande de fonds à certains de nos points de vente. Finalement, la Régie appuie la Légion royale canadienne et la PEI Police Association par l'intermédiaire de la vente de coquelicots et d'un CD pour chacune des organisations en question.

Store Operations and Merchandising

Great things are happening at the Liquor Control Commission. The commission has a total of six new or renovated stores and has scheduled two others for renovations next fiscal year. These are ultra modern and replaced old, tired and worn stores making the shopping experience much more pleasurable and meeting the expectations of today's more demanding customer.

The commission will continue to make investments in the remaining retail stores over the next five years. The new design calls for each store to have cold beer, a merchandise boutique, additional products and modern shelving, in a brighter, cleaner interior and exterior.

Our annual Winefest is fast becoming a very popular festival on the Island, and the 6th Winefest was again a great success with ticket sales up 27 percent.

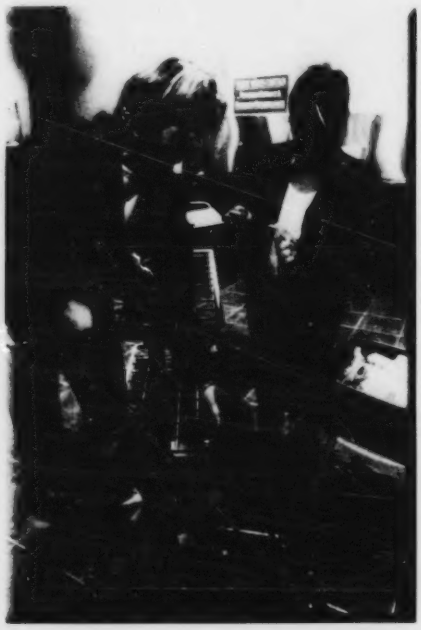
The Island Hospice Association was the benefactor of $5,000 receipts from the 2nd annual Silent Auction held during the Winefest.

Our employees are committed to improving their product knowledge and customer service skills and the commission is committed to providing this training for them. Numerous training sessions were provided to staff during this fiscal year and we will continue to find ways to increase employee satisfaction because we believe satisfied employees help create satisfied customers.

The commission, in partnership with the Canadian Association of Liquor Jurisdictions, launched the first in a series of annual campaigns developed by the jurisdictions themselves.

The poster campaign had as its theme *Don't Go Overboard* bringing attention to the dangers of mixing alcohol and boating. The commission will continue with this joint partnership and will focus on other responsible messages in future campaigns.

The commission has a staff complement of 131 classified full- and part-time positions and 151 full- and part-time casuals to meet seasonal demands.



Financial

For the fiscal year ended March 31, 2001, gross sales were $60,395,477. This is an increase of $2,485,328 over the previous year.

Net profit for the year plus health and sales taxes, totalled $24,861,267. This is an increase over the 1999-2000 contribution to the province by $240,641 and represents our best year ever in terms of monetary transfers to the Provincial Treasury.

The commission's business is international in scope with approximately $24 million spent on the purchase of beveraged alcohol.

Sales increased in both wholesale and retail channels across the province over the previous year. Volume sales increased at the same rate as dollar sales which means the commission did not increase revenues by raising prices. This significant increase was accomplished by growing the business.

During the year, the commission conducted a study on its business processes and prepared a report that recommended current technologies be replaced. The commission, during the next fiscal year, will work toward a totally new computerized system.

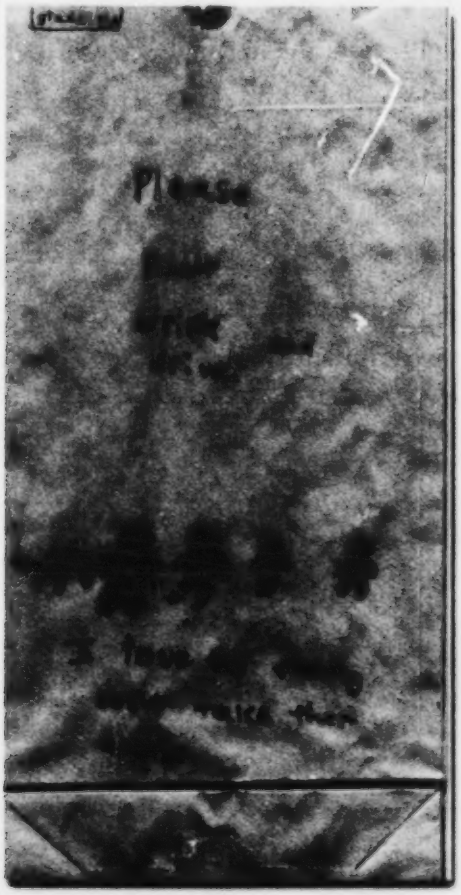
Although the commission has refocused and refashioned its position in the marketplace, it is well aware of its vital leadership role in ensuring responsible use.

This goes beyond refusing to serve persons of questionable legal drinking age or who appear to be intoxicated. The commission has become the headlight in the area of responsibility partnering with organizations, both within and outside its business boundaries, in bringing awareness of the problem of abuse of beveraged alcohol.

Numerous store promotions, Wine Festival literature, water safety, police associations and school events are some of the areas that assist the commission in fulfilling this side of its mandate.

The commission is proud that it has been able to complete project tasks on its long-range, Five-Year Business Plan on a consistent basis. Further, it adds new ones while continuing to operate in a most efficient and professional manner.

Not content to rest on its accomplishments, the commission has numerous new goals for the next fiscal including a "new" face for a downtown Charlottetown Store, a major upgrade for Tignish, and the major upgrade to our Integrated Business Management System.



Regulatory Activities

The Licensing and Security Department, during the 2000-2001 fiscal year, performed 5,758 inspections at licensed premises. During these inspections, they checked 1,123 people for proper identification; dealt with control, overserving and overcrowding; and other areas of responsibility.

The inspection staff, in cooperation with the police and Fire Marshal, performed three special investigations resulting in charges being laid against two of these individuals. The investigations involved exotic dancing and after hours service.

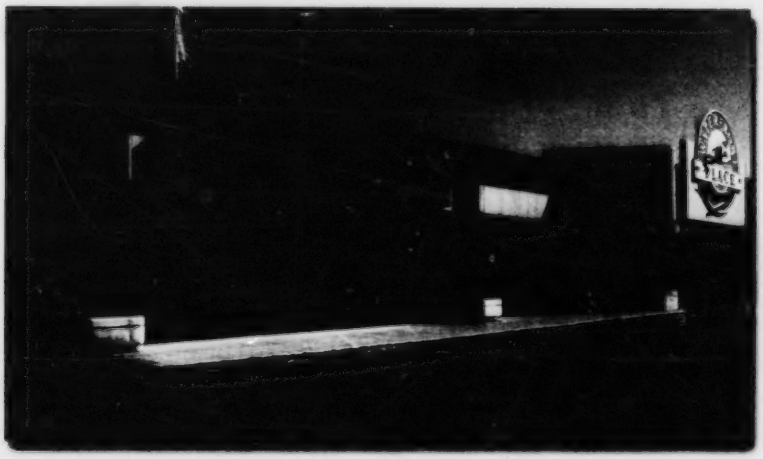
This area of enforcement will continue as a preventative measure to ensure compliance with the respective acts and regulations.

Liquor store staff, as their part in ensuring proper and responsible service, have served approximately 2,207,825 customers and licensees. They checked 28,381 customers for proper age and for intoxication, turning away 512. Store personnel will continue their efforts in these areas.

Acknowledgements

The achievements outlined in this document can only be accomplished with the loyalty and dedication of our employees. The valued support and guidance of the Board of Commissioners is equally important and gratefully acknowledged.

The commission acknowledges the valuable assistance of the RCMP, municipal police departments, fire marshal and other enforcement agencies throughout the province; as well as other provincial and federal government departments.



Sales by Retail Stores 2000/2001

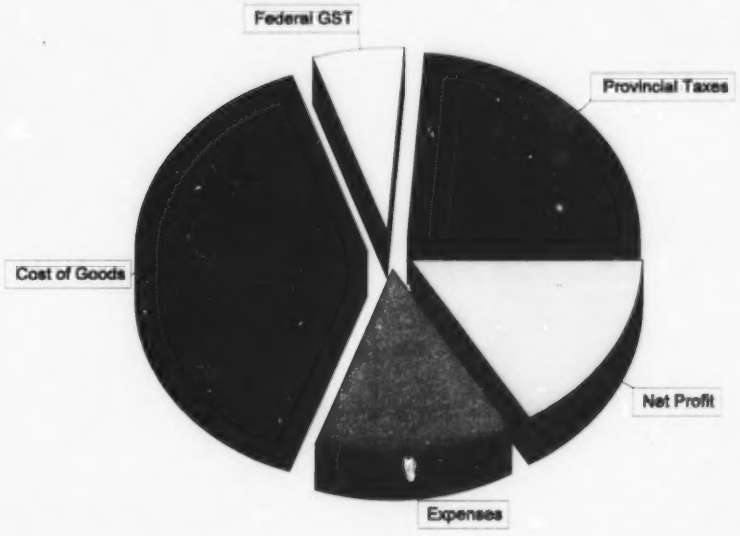
Retail Store	Year Ended March 31, 2001	Year Ended March 31, 2000	Increase (Decrease)
Alberton	1,270,944	1,320,082	*(49,138)*
Borden/Carleton	1,280,093	1,239,828	*40,265*
Cardigan	1,266,703	1,454,743	*(188,040)*
Charlottetown Mall	5,904,752	7,023,255	*(1,118,503)*
Charlottetown – Queen St.	4,196,993	4,416,811	*(219,818)*
Cornwall	2,694,811	2,653,021	*41,790*
Kensington	2,573,838	2,530,124	*43,714*
Licensee Distribution Centre	5,548,911	5,310,269	*238,642*
Montague	3,887,362	3,498,547	*388,815*
North Rustico	2,523,615	2,507,481	*16,134*
O'Leary	1,356,067	1,327,118	*28,949*
Oak Tree Place	9,076,590	6,411,681	*2,664,909*
Sherbrooke	5,347,987	5,310,183	*37,804*
Souris	2,139,648	2,071,386	*68,262*
Summerside Waterfront	3,120,123	3,143,487	*(23,364)*
Stratford	4,433,723	4,030,899	*402,824*
Tignish	1,604,795	1,632,375	*(27,580)*
Tyne Valley	863,139	883,268	*(20,129)*
Wellington	1,040,473	1,003,965	*36,508*
Warehouse	264,910	141,626	*123,284*
Total	**$60,395,477**	**$57,910,149**	**$2,485,328**

Summary of Profit and Expense Ratios
Five-year Comparison

(in 000s)

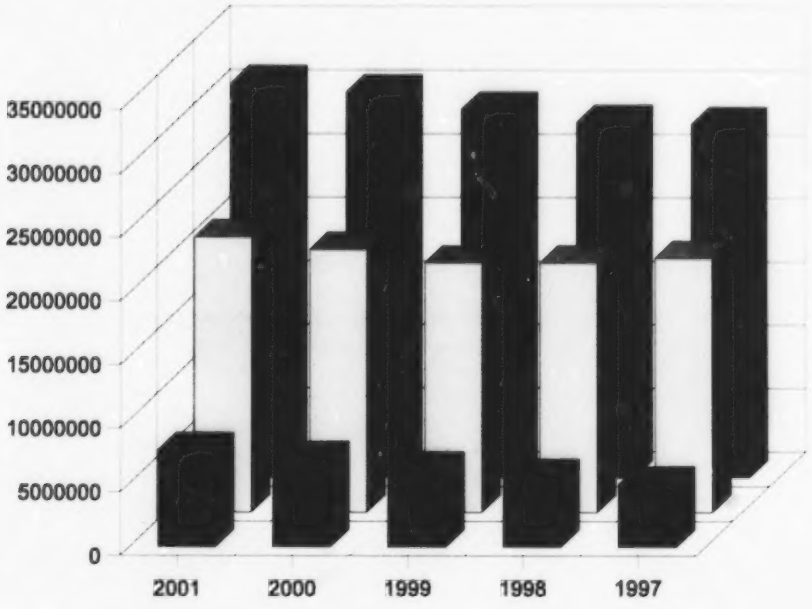
	1997	1998	1999	2000	2001
Sales	$52,742	$53,093	$54,683	$57,910	$60,395
Gross Profit	$15,351	$15,692	$15,783	$16,849	$17,437
Net Profit	$9,543	$9,800	$9,658	$10,383	$10,035
General and Administration Expenses	$6,430	$6,837	$7,101	$7,542	$8,492
Gross Profit as Percentage of Sales	29.1%	29.6%	28.9%	29.1%	28.9%
Net Profit as Percentage of Sales	18.1%	18.5%	17.7%	17.9%	16.6%
General and Administrative Expenses as Percentage of Sales	12.2%	12.9%	13.0%	13.0%	14.1%

Income Allocation
Year Ended March 31, 2001



	Sales		$60,395,477
	Provincial Taxes	14,826,528	
	Federal GST	3,826,398	
	Cost of Goods	24,305,593	
	Expenses	8,492,094	
	Net Profit		**$10,034,739**

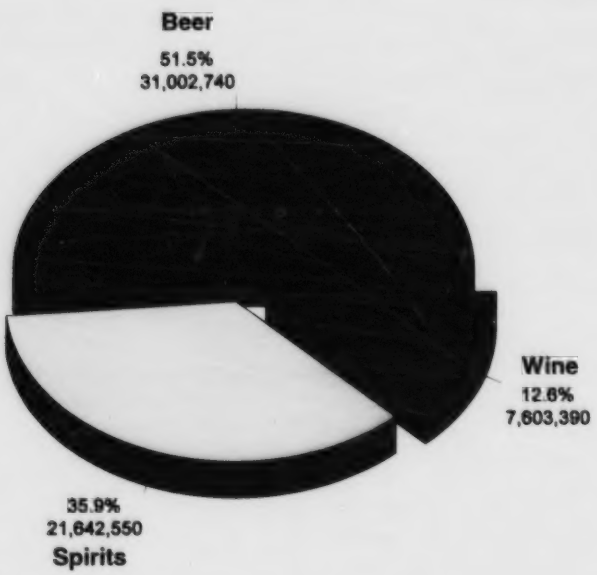
Sales Comparison 1997-2001



	Five-Year Trend	2001	2000	1999	1998	1997
	Beer	$31,002,745	$30,280,339	$28,930,827	$27,929,485	$27,784,241
	Spirit	$21,642,547	$20,669,108	$19,616,717	$19,620,173	$20,000,638
	Wine	$7,603,390	$6,922,733	$6,109,278	$5,543,314	$4,956,669

Merchandising sales figures for 2001 were $146,795 compared to merchandising sales figures for 2000 which were $37,969. These figures are not included in the above chart or table.

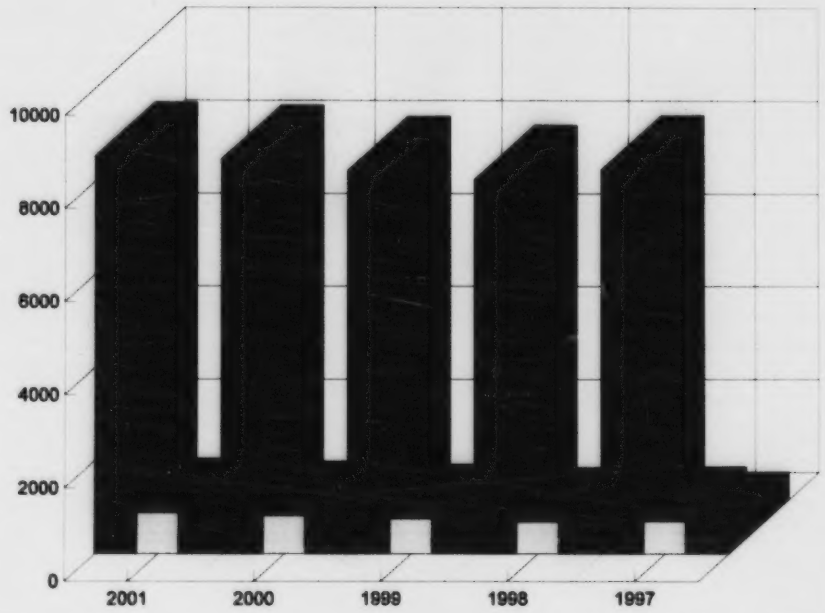
Sales – Year Ended March 31, 2001



Sales in Dollars		
	Beer	$31,002,745
	Spirits	21,642,547
	Wine	7,603,390
	Total	**$60,248,682**

Sales figures for 2001 also include $146,795 for merchandising which is not included in the above chart or table.

Volume Sales
Five Years Ended March 31, 2001



	Five-Year Trend	2001	2000	1999	1998	1997
	Beer	8,537	8,479	8,240	8,050	8,263
	Spirit	883	823	757	689	703
	Wine	741	692	642	615	586

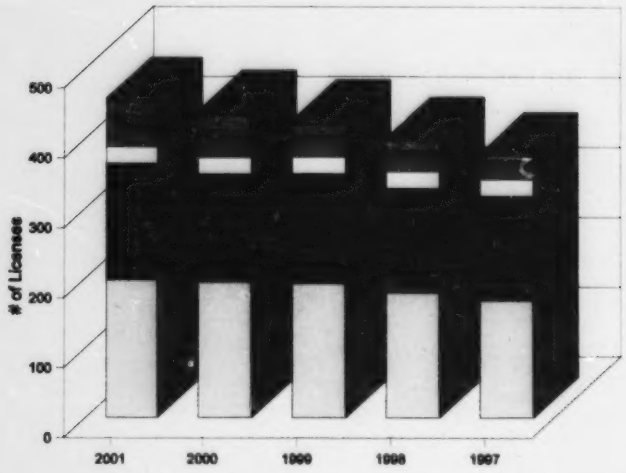
Figures are in kilolitres

Licenses in Effect
March 31, 2000 and March 31, 2001

License Type	2001	2000
Dining Room	197	194
Lounge	92	81
Club	74	73
Military Canteen	24	24
Special Premise	46	40
Caterer	17	19
Agency Store	1	1
Winery	1	1
Brew-Pub	0	1
Micro-Brewery	1	0
Tourist Home	3	4
Total Licenses in Effect	**456**	**438**

During the 2000-2001 fiscal year,
the Licensing and Security Department issued 59 new licenses
and 41 licenses were either not renewed or were voluntarily surrendered.

Licenses in Effect
Five-year Comparison



	2001	2000	1999	1998	1997
Dining Room	197	194	192	179	168
Lounge	92	81	82	76	74
Club	74	73	75	73	75
Military Canteen	24	24	24	24	24
Special Premise	46	40	30	31	26
Caterer	17	19	15	12	8
Agency Store	1	1	1	1	1
Winery	1	1	1	1	1
Brew-Pub	0	1	1	1	0
Micro-Brewery	1	0	0	0	0
Tourist Home	3	4	4	2	1
Totals	**456**	**438**	**425**	**400**	**378**

Premises Licensed 2000/2001

Caterers
Bonnie Brae Dining Room
Victoria Village Inn
Confederation Centre Dining Room
Trailside Café

Dining Rooms
Inn At St. Peters
Nikko's Restaurant
Inn At The Pier Dining Room
Carr's Oyster Bar
Bayside Country Inn
Red Rooster Restaurant
Dave's Restaurant
Rye's Deli
Big Momma's Pub
Barry's Pub and Eatery
Dysarty's
Millstream Barn
Captain's Cove
Yvonne's Family Restaurant
Village Family Restaurant
Windows On The Water
Maggie's Family Restaurant
Silver Isle Restaurant
Mom's Diner
Lotus Garden Restaurant
Bernie's Fish and Chips
Lobster Claw Restaurant
Sam's Family Restaurant
The Inn at Spry Point
Captain Mariners Galley

Special Premises
Fairway's Take-Out and Lounge
Avondale Golf Course
Dooly's Montague
Summerside Bowling Lanes
Vista Bay Golf and Country Club
Red Sands Golf Course
Crowbush Club House
Fox Meadow Food & Beverage

Lounges
Hoss's Place Lounge
Inn At St. Peters
Nikko's Lounge
Inn At the Pier Lounge
Carr's Oyster Bar
Main St. Pub
Bayside Country Inn
Red Rooster Lounge
Dave's Lounge
Rye's Pub
Wingnut's Lounge
Barry's Pub and Eatery
Red Rooster Family Rest. Lounge
Dysarty's
Millstream Barn
Seaside Diner Lounge
Captain's Cove
Sam's Family Restaurant
Yvonne's Lounge
Village Family Restaurant & Pub

Micro-Brewery
The Gahan Brewery

Club
Ch'town Fire Fighters Club Stn #2

Total Licenses Issued = 59

Licenses Not Renewed/Surrendered 2000/2001

Brew-Pub
Lone Star Brewing Co.

Caterers
Brudenell River Resort Restaurant
Waterworks Tap House & Grill
Seasons in Thyme
Cousin's Diner
Dock Restaurant
Capt. Bully Forbes' Chowder Pot

Dining Rooms
Village Diner
Dysarty's
Fairway's Take-out and Lounge
Seasons in Thyme
Dock Restaurant
Rye's Deli
Dakota's Dining Room
Yvonne's Family Restaurant
Le Lai Restaurant
Meme Janes Restaurant
Lotus Garden Restaurant
Herb Garden Restaurant
Lee Family Restaurant
Blue Dolphin Restaurant
Sebastiano's & Friends
Hogan's Homestyle Restaurant
Vintage Pizza
Red Rooster Restaurant
Mariners Galley
Island Eatery
Me & Mom's Café
Captain Mariners Galley

Lounges
Village Diner
Fairway's Take-Out and Lounge
Stefan's Lounge
Dock Lounge
Red Rooster Family Rest. Lounge
Rye's Pub
Dakota's Lounge
Dysarty's
Yvonne's Lounge

Special Premises
Crowbush Club House
Misty Water 1

Tourist Home
Bayberry Cliff Inn

Licenses Not Renewed/Surrendered = 41

Permits Issued 2000/2001

Permit	2001	2000
Class I (non-sale)	55	72
Class II (resale)	238	199
Total	**293**	**271**

Special Authorizations

During the 2000-2001 fiscal year, the licensing department authorized 134 requests for Special Functions in licensed premises under Sections 75, 30, 20.1, and 95 of the Liquor Control Act Regulations. These functions covered a range of events including weddings, benefits, sporting events, receptions, and community festivals.

Regulatory Changes

Created a Micro-Brewery License.

License Suspensions

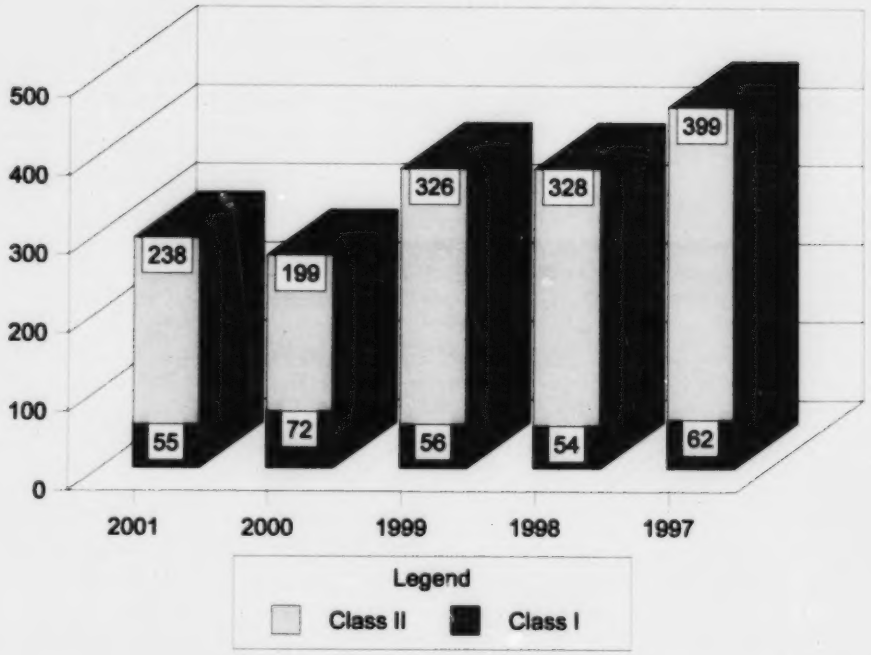
During the 2000-2001 fiscal year, the P.E.I. Liquor Control Commission suspended the following licenses for violations under the Liquor Control Act and Regulations and Policy:

- Dakota's Lounge
  Suspension - 28 days
  (violation: illegal entertainment)
- Queen's Arms Motel Lounge
  Suspension - 7 days
  (violation: not providing food service as required)
- Lobster Shanty
  Suspension - 9 days
  (violation: control and allowing the removal of liquor from the premises)
- Dave's Lounge
  Suspension - 9 days
  (violation: public intoxication, open after hours, control)

License Cancellations

none

Permits Issued
Five-year Comparison



		2001	2000	1999	1998	1997
	Class 1	55	72	56	54	62
	Class II	238	199	326	328	399

A Class I permit entitles host to give beverages to guests.

A Class II permit entitles host to sell beverages to guests.

There has been a marked decrease in Class II permits over the last three years owing in part to increased awareness of host liability.

Prince Edward Island Liquor Control Commission

Retail Outlets

Prince Edward Island Retail Liquor Outlets

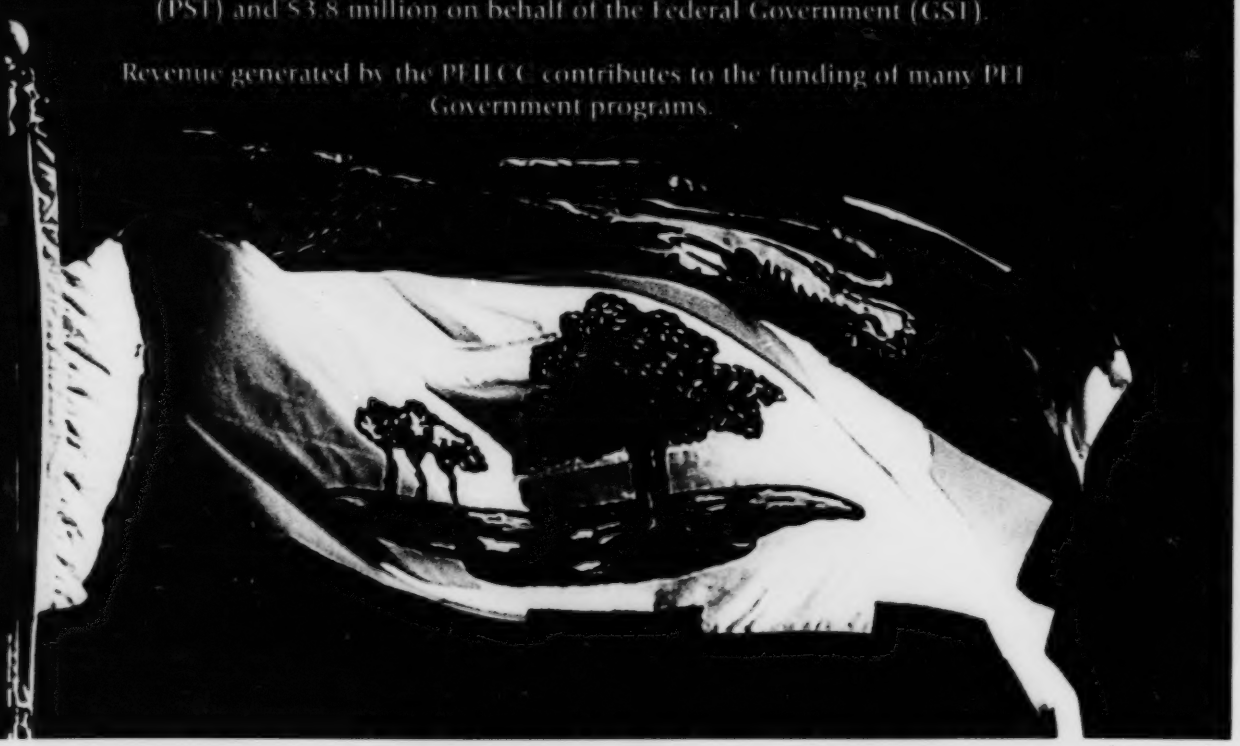
Location	Manager	Location	Manager
Alberton	Robert White	O'Leary	Robert White
Borden-Carleton	Donald Howatt	Queen Street	Urban MacDonald
Cardigan	Joseph MacDonald	Sherbrooke	Ronald Yeo
Charlottetown Mall	Stan Bryanton	Souris	Paul Deveau
Cornwall	William MacMillan	Summerside Waterfront	Barb Simpson
Kensington	Terry Lynn MacKenzie	Stratford	Charles Hansen
Montague	Richard Llewellyn	Tignish	Stephen Callaghan
Morell Agency	Jim Anderson	Tyne Valley	Clarence Richard
North Rustico	Terry Lynn MacKenzie	Wellington	Clarence Richard
Oak Tree	John Abbott		

Efficient Monetary Management

1.01% Warehouse & Distribution
3.19% Administration
11.75% Store Operations
38.4% Profit
45.65% Cost of Stock

In the 2000-2001 fiscal year, over and above the $20.4 million profit ($10 million in net profit and $10.4 million in Provincial Health Tax), the PEILCC collected $4.4 million on behalf of the Provincial Government (PST) and $3.8 million on behalf of the Federal Government (GST).

Revenue generated by the PEILCC contributes to the funding of many PEI Government programs.



Appendix

Auditor's Report and Audited Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2001

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2001 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
May 16, 2001

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2001

ASSETS

	2001	2000
CURRENT ASSETS		
Cash	$ 478,123	$1,175,717
Accounts receivable	100,143	196,197
Inventories - Note 1(b)	2,842,947	2,432,000
Prepaid expenses	72,675	48,685
	3,493,888	3,852,599
Capital Assets - Notes 1(a) and 2	3,431,564	3,043,673
	$6,925,452	$6,896,272

LIABILITIES

CURRENT LIABILITIES			
Accounts payable and accruals	- General	$ 792,472	$1,677,395
	- Province of P.E.I.	45,672	50,864
Debentures payable - current portion - Note 3		392,724	337,110
Due to the Province with respect to net income - Note 1(c)		2,644,622	1,788,217
		3,875,490	3,853,586
LONG TERM LIABILITIES			
Debentures payable - Note 3		3,049,962	3,042,686
		$6,925,452	$6,896,272

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER: _____

COMMISSIONER: _____

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2001

		2001		2000
SALES		$60,395,477		$57,910,149
Less: Provincial Health Tax	$10,407,596		$9,997,673	
Provincial Sales Tax	4,418,932		4,240,300	
Federal Goods & Services Tax	3,826,398	18,652,926	3,652,706	17,890,679
NET SALES		41,742,551		40,019,470
COST OF GOODS SOLD		24,305,593		23,170,222
GROSS PROFIT		17,436,958		16,849,248
EXPENSES				
Depreciation	411,248		540,927	
Insurance and taxes	147,364		150,352	
Interest on long-term debt	242,934		133,221	
Other operating expenses	433,201		357,902	
Repairs and maintenance	378,971		284,837	
Rent - Note 4	641,848		517,075	
Salaries and benefits - Note 5	5,406,895		4,902,891	
Store and office expense	296,985		196,258	
Travel	103,888		94,493	
Utilities	428,760	8,492,094	363,544	7,541,500
		8,944,864		9,307,748
OTHER INCOME		1,089,875		1,074,905
NET INCOME - Note 1(c)		$10,034,739		$10,382,653

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2001

Cash provided by (used for):	2001	2000
OPERATING ACTIVITIES		
Net Income for the year	$10,034,739	$10,382,653
Amounts charged against income not requiring an outlay of cash:		
Depreciation and amortization	411,248	540,927
Gain on disposal of capital assets	(19,746)	(3,022)
(Increase) Decrease in accounts receivable	96,054	(95,183)
(Increase) Decrease in inventories	(410,947)	(124,714)
(Increase) Decrease in prepaid expenses	(23,990)	5,965
Increase (Decrease) in accounts payable	(890,115)	1,208,930
Increase (Decrease) in current portion of debentures	55,614	162,762
Net cash provided by operating activities	9,252,857	12,078,318
FINANCING ACTIVITIES		
Cash payments to Provincial Treasury	(9,178,335)	(10,235,859)
Loan from Province	400,000	2,026,145
Obligations for debenture repayment	(392,723)	(337,110)
Net cash used for financing activities	(9,171,058)	(8,546,824)
INVESTING ACTIVITIES		
Acquisition of capital assets	(822,088)	(2,032,319)
Proceeds on disposal of capital assets	42,695	27,200
Net cash used for investing activities	(779,393)	(2,005,119)
Increase (Decrease) in cash	(697,594)	1,526,375
Cash at beginning of year	1,175,717	(350,658)
Cash at end of year	$ 478,123	$ 1,175,717

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

1. Summary of significant accounting policies

(a) Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are calculated on a straight-line basis at the rates indicated in Note 2.

(b) Inventories

Inventories are valued at the lower of first-in, first-out cost and net realizable value.

(c) Net Income

All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

2. Capital Assets

		2001			2000
	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	Nil	$ 85,537	$ -	$ 85,537	$ 108,487
Buildings	5 %	3,453,303	2,564,810	888,493	512,295
Equipment	10 & 20 %	1,075,490	877,561	197,929	189,834
Vehicles	30 %	102,440	76,963	25,477	56,183
Leasehold Improvements	10 %	2,797,109	859,354	1,937,755	1,903,839
Integrated Business Management System	20 %	1,090,777	794,404	296,373	273,035
		$8,604,656	$5,173,092	$3,431,564	$3,043,673

3. Debentures Payable - Province of Prince Edward Island

	Balance March 31, 2001	Less Current Portion	Long Term Liability
Integrated Business Management System Repayable in equal annual installments of $185,075 including interest @ 9.40% per annum, maturing November 1, 2004.	$ 594,362	$129,204	$ 465,158
Cornwall Repayable in equal annual installments of $35,184 including interest @ 6.75% per annum, maturing December 10, 2006.	169,009	23,776	145,233
Stratford Repayable in equal annual installments of $40,415 including interest @ 7.375% per annum, maturing February 10, 2007.	190,428	26,371	164,057
Borden - Carleton Repayable in equal annual installments of $37,442 including interest @ 5.74% per annum, maturing January 21, 2008.	210,959	25,333	185,626
Kensington Repayable in equal annual installments of $49,143 including interest @ 6.70% per annum, maturing November 8, 2009.	324,307	27,415	296,892
North Rustico Repayable in equal annual installments of $38,936 including interest @ 6.79% per annum, maturing March 24, 2010.	255,959	21,556	234,403
Charlottetown (Oak Tree) Repayable in equal annual installments of $197,398 including interest @6.79% per annum, maturing March 24, 2010.	1,297,662	109,287	1,188,375
Cardigan Repayable in equal annual installments of $55,381 including interest @ 6.40% per annum, maturing February 16, 2011.	400,000	29,782	370,218
	$3,442,686	$392,724	$3,049,962

AUDITOR GENERAL - CHARLOTTETOWN, P.E.I.

The total principal repayment for the next five years is as follows:

2002	$ 392,723
2003	422,500
2004	454,601
2005	489,214
2006	341,468
Total	$2,100,506

4. The Prince Edward Island Liquor Control Commission leases twelve retail outlets which have maturity dates between 2002 and 2016. Future minimum lease payments are as follows:

Fiscal Years	Amount
2002	$ 521,720
2003	497,852
2004	478,098
2005	401,329
2006	354,187
2007-2016	2,094,425
	$4,347,611

5. Pension Benefits

The employees of the Prince Edward Island Liquor Control Commission are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.